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CIA's Gates Tells of North Meeting

Unease Over Contra Remarks, Lack of Follow-up Told; Senators Skeptical

By SARA FRITZ, Times Staff Writer

WASHINGTON—President Reagan's nominee to head the CIA, Robert M. Gates, said Tuesday that despite his own "uneasy" feelings, neither he nor former CIA Director William J. Casey took any action after Lt. Col. Oliver L. North mentioned "Swiss [bank] accounts and contras" last October in connection with a discussion of U.S. arms sales to Iran.

Gates, testifying at his confirmation hearings before the Senate Intelligence Committee, acknowledged that he already had reason to suspect that profits from the arms sales were being diverted to the Nicaraguan rebels when he and Casey held a luncheon meeting on Oct. 9 with North, the alleged mastermind of the scheme. The meeting occurred more than a month before the diversion of funds became public knowledge.

"I recall that toward the end of the lunch Lt. Col. North made a cryptic remark about Swiss accounts and the contras," he said. "Neither [Casey] nor I pursued the comment."

Casey 'Seemed Unconcerned'

But Gates, 43, a career bureaucrat who has been acting CIA director since Casey resigned on Feb. 2 after undergoing surgery for a brain tumor, added that he was moved to consult with Casey afterward about North's remark.

"I was uneasy about the remark . . . and I went back to the director's office after lunch to see if he had understood what Lt. Col. North had been saying, if we should be concerned about it," Gates said. "He [Casey] either hadn't heard or picked up on the remark at all, or seemed unconcerned, so I did not pursue it further."

Gates' explanation as to why he did not immediately follow up on early indications of the diversion of funds caused considerable skepticism among members of the Intelligence Committee, who will be voting on whether to confirm his nomination as CIA chief. Sen. Arlen Specter (R-Pa.) said he now has "serious reservations about Mr.

Gates' qualifications" to head the CIA.

But it was not immediately clear whether a majority of committee members would vote against confirmation of Gates as a result of the testimony. Sen. David L. Boren (D-Okla.) said he thought the committee members were keeping an open mind about Gates' involvement in the Iran-contra affair.

Under persistent questioning, Gates insisted that he had no reason to pursue early evidence of the funds diversion because there was no indication that the CIA had violated any law.

"There was no indication at any point in this of wrongdoing or illegality," Gates said.

He also insisted that his information about the diversion before it was disclosed publicly by Atty. Gen. Edwin Meese III on Nov. 25 was not reliable enough to cause him to notify the Intelligence Committee or the federal advisory committee, which oversee covert activities.

"I regarded what little information I had as worrisome, but extraordinarily flimsy," he said. "I considered in October and November—and even today—that it would have been irresponsible to report to these bodies the flimsy speculation."

Asked by the committee why he did not demand an explanation of North's remark on Oct. 9, Gates replied that he "did not really understand what he (North) was talking about" and also did not want to know more about it because Congress had prohibited the CIA from becoming involved in the funding of the contras.

"We knew, obviously, that private groups were providing support to the resistance and CIA probably could have learned about these activities and who was involved," he said. "However, we did not want to get as close to the private benefactors as would have been required to collect such information because we did not want to do anything that could be interpreted as CIA violation of the statutory prohibitions."

Gates said he first became aware of a possible diversion of funds on Oct. 1—eight days before his lunch with North—when the CIA's official in charge of counterterrorism, Charles Allen, came to him with preliminary evidence that money from the arms sales possibly was being given to the Nicaraguan rebels. But he added that when Allen later put this information in writing, the memo made no mention of the contras and suggested only that the money could have been diverted to "other projects of the U.S. and Israel."

After hearing from Allen, Gates said he took the information about a possible diversion of funds to Casey. He said he and Casey subsequently took Allen's memo to then White House National Security Adviser John M. Poindexter on Oct. 15 and suggested to him that the Iran arms sales be made public by the President.

On the same day, according to Gates, he ordered the CIA general counsel to investigate any possible illegal activities by the agency in connection with the Iranian operation. He said the general counsel later concluded that the CIA's activities were entirely proper.

Specter challenged Gates' testimony on grounds that it differed in at least three respects from an explanation he had given to the Intelligence Committee in closed session last Dec. 4 during the panel's preliminary probe of the Iran-contra affair. The committee later released the 105-page transcript of Gates' earlier testimony.

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Gates told the committee on Tuesday that North made his remark about Swiss bank accounts during a discussion of contra funding and not specifically in the context of Iranian arms sales—even though the arms sales were also discussed at the lunch. But Specter noted that Gates testified last December that it came up during a discussion of Iran.

Specter also noted that the information from Allen that Gates now describes as "flimsy" was portrayed in his testimony last December as "an analytical judgment based on a close reading of material and other knowledge of what was going on."

In addition, Specter recalled that Gates had told the committee last December that both he and Casey were "startled" by preliminary information about the diversion, which is now being minimized by the acting CIA director.

Sen. Sam Nunn (D-Ga.) challenged Gates' claim that he had no obligation to tell Congress or the intelligence advisory board because there was no evidence of illegality. He noted that Gates had testified that Casey advised North to "get counsel" after learning in late October about the evidence of a possible diversion of funds.

"When you tell Ollie North, or the director does, to get a lawyer, do you think that something is wrong?" Nunn asked.

Under sharp questioning by Nunn, Gates also suggested that he had no obligation to alert Congress since North was an employee of the National Security Council and not of the CIA. But he later acknowledged he had an obligation to report illegality by any government agency.

He said his biggest regret was that he did not challenge Reagan's decision not to inform the Intelligence Committee about the operation, as required by law. If the President made a similar decision during his tenure as CIA chief, he said, he would consider resigning.

Sen. William S. Cohen (R-Me.), committee vice chairman, portrayed Gates as an ambitious careerist who was not willing to risk his future to halt an operation that began before he was appointed to the position of deputy director.

"You essentially were the new kid on the block," Cohen told Gates. "Basically, you're not prepared to lay your career on the line for a program that you didn't have much involvement with."

Gates also denied reports that Secretary of State George P. Shultz saved Reagan from a Watergate-style cover-up by insisting that Casey tell the committee truthfully in testimony last Nov. 21 that the CIA had help to ship weapons to Iran in late 1985 before getting written authorization to do so from the President, as required by law.

He acknowledged that an early draft of the testimony suggested that CIA officials thought the plane was carrying oil drilling equipment, but added: "That sentence was removed from the text on our own initiative."